

Message Text

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ACTION EA-12

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TO SECSTATE WASHDC 8574
INFO AMEMBASSY PARIS
CINCPAC HONOLULU HI

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E.O. 11652: N/A
TAGS: ELAB, JA
SUBJECT: LABOR DEFEAT IN SPRING WAGE NEGOTIATIONS
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SUMMARY: AS 1978 SPRING WAGE NEGOTIATIONS DRAW TO A CLOSE, SURVEYS BY MINISTRY OF LABOR AND MAJOR EMPLOYER AND LABOR ORGANIZATIONS INDICATE NATIONWIDE AVERAGE WAGE INCREASE IN PRIVATE SECTOR, INCLUDING ANNUAL AUTOMATIC INCREMENT, WILL BE 5.9-6.2 PERCENT. UNIONS APPARENT FAILURE, FOR FIRST TIME IN ALMOST 20 YEARS, TO MAINTAIN REAL INCOME OF MEMBERSHIP IS ATTRIBUTABLE MAINLY TO BUSINESS COMMUNITY'S SUCCESS IN INSISTING THIS YEAR THAT PROFITS AND PRODUCTIVITY OF INDIVIDUAL FIRMS RATHER THAN NATIONWIDE PERCENTAGE GUIDELINE SHOULD DETERMINE LEVEL OF SETTLEMENTS NEGOTIATED ON ENTERPRISE LEVEL. FURTHERMORE, STEEL WORKERS FEDERATION, CUSTOMARILY PACE SETTER

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IN ANNUAL WAGE NEGOTIATIONS, WAS FORCED THIS YEAR TO SETTLE FOR TOKEN 4.2 PERCENT RAISE. IN ADDITION, GOJ BEHIND THE SCENES ARGUED SUCCESSFULLY AGAINST UNION VIEW THAT HIGHER WAGES WOULD STIMULATE LAGGING CONSUMER DEMAND. IN SPITE OF FACT THAT GOJ HAD PREVIOUSLY APPROPRIATED IN FY78 BUDGET 7.2 PERCENT FOR PUBLIC CORPORATION WAGE SETTLEMENTS AND NOTWITHSTANDING NATIONWIDE RAIL STRIKE,

SOHYO-AFFILIATED PUBLIC CORPORATION UNIONS RECEIVED ONLY 5.4 PERCENT INCREASE. CRITICISM OF LOW LEVEL OF SETTLEMENTS ACCEPTED BY METAL WORKERS COUNCIL (IMF-JC) UNDER LEADERSHIP OF STEEL WORKERS PRESIDENT MIYATA WILL PROBABLY BE EXPLOITED BY AUTO WORKERS PRESIDENT SHIOJI IN HIS EFFORT TO SUCCEED MIYATA AS IMF-JC PRESIDENT. IN SERIES OF POST-MORTEMES, SOME SOHYO-AFFILIATED UNION LEADERS HAVE BEGUN PROPOSING FOR FIRST TIME ABANDONMENT OF ANNUAL COORDINATED SPRING WAGE CAMPAIGN IN FAVOR OF U.S. STYLE STAGGERED BARGAINING FOR 2-3 YEAR CONTRACTS WITH COST OF LIVING CLAUSES.

1. ANNUAL SPRING "WAGE STRUGGLE" SEASON IS NOW OVER AS VIRTUALLY ALL MAJOR COMPANIES, WITH EXCEPTION OF SOME SMALL ENTERPRISES, HAVE REACHED 1978 WAGE SETTLEMENTS WITH THEIR UNIONS. ACCORDING TO LATEST SURVEY BY JAPAN FEDERATION OF EMPLOYERS (NIKKEIREN), 80 PERCENT OF JAPAN'S MAJOR COMPANIES HAVE CONCLUDED NEGOTIATIONS WITH AVERAGE MONTHLY WAGE HIKE OF 5.88 PERCENT OR 9,271 YEN (\$42.00 YEN 220 - \$1.00), WELL BELOW 8.8 PERCENT WON LAST YEAR. BY SECTOR, AVERAGE WAGE HIKES WERE: ELECTRIC POWER -- 5.4 PERCENT; STEEL -- 4.2 PERCENT; CONSTRUCTION MACHINERY -- 5.2 PERCENT; ELECTRICAL MACHINERY -- 6.5 PERCENT; AUTOS -- 7.4 PERCENT; SHIPBUILDING -- 5.05 PERCENT; PRIVATE RAIL-ROADS AND BUSES -- 5.4 PERCENT; AND PETROCHEMICALS -- 5.23 PERCENT. IN PUBLIC SECTOR, PUBLIC CORPORATION AND NATIONAL LIMITED OFFICIAL USE

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ENTERPRISE LABOR RELATIONS COMMISSION (KOROI) ARBITRATION SETTLEMENT OF AVERAGE 5.4 PERCENT OR 8,674 YEN (\$39.00) INCREASE WAS ACCEPTED BY CABINET MAY 26. KOROI SETTLEMENT WAS CONSIDERABLY LOWER THAN LAST YEAR'S 8.2 PERCENT AND EVEN FELL BELOW 7.2 PERCENT, WHICH GOJ HAD PREVIOUSLY BUDGETED FOR THIS YEAR'S WAGE INCREASE. EMBASSY WILL POUCH MORE DETAILED STATISTICS WHEN THEY BECOME AVAILABLE.

2. IN SERIES OF POST-NEGOTIATION CONFERENCES, LEADERS OF VIRTUALLY ALL MAJOR UNION FEDERATIONS BRANDED RESULTS OF 1978 NEGOTIATIONS DEFEAT FOR LABOR MOVEMENT, PRIMARILY BECAUSE, IN ALL BUT MOST PROSPEROUS INDUSTRIES, UNIONS FAILED TO ACHIEVE RAISES SUFFICIENT TO COVER 1977 RISE IN CONSUMER PRICE INDEX (6.8 PERCENT) AND IN EFFECT AGREED FOR FIRST TIME IN TWO DECADES TO REDUCTION IN MEMBERS' REAL INCOME. MAJOR REASON CITED FOR DEFEAT WAS IMPACT OF PROLONGED ECONOMIC STAGNATION, WHICH STIFFENED MANAGEMENT LIMITED OFFICIAL USE

RESISTANCE TO UNION WAGE DEMANDS. IN BOOM YEARS OF LATE 60S AND EARLY 70S, RAPID GROWTH IN PRODUCTION AND PROFITS PERMITTED EMPLOYERS TO GUARANTEE PEACEFUL LABOR RELATIONS

WITH GENEROUS YEARLY WAGE INCREASES BASED ON A NATIONWIDE NORM SET BY UNIONS. BY CONTRAST, REFLECTING POST OIL-SHOCK FEAR THAT JAPANESE ECONOMY IN FOR PROLONGED PERIOD OF SLOWER GROWTH, MANAGEMENT THIS YEAR INSISTED THAT PROFIT RECORDS OF ENTERPRISE AND INCREASES IN EMPLOYEE PRODUCTIVITY WOULD BE SOLE CRITERIA FOR WAGE BOOSTS. SUDDEN DECLINE IN GROWTH RATE OF CONSUMER PRICE INDEX DURING BARGAINING PERIOD (CPI AVERAGED 6.8 PERCENT FOR JFY77 AS A WHOLE BUT FELL TO 4-5 PERCENT LEVEL IN LAST QUARTER) FURTHER WEAKENED UNION BARGAINING POSITION. MANAGEMENT ALSO STRENGTHENED BY GOJ "JAWBONING." GOVERNMENT URGED RESTRAINT ON PRIVATE SECTOR WAGE INCREASES NOT ONLY TO

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CHECK INFLATIONARY PRESSURES IN THAT SECTOR BUT ALSO, BECAUSE WAGE INCREASES FOR PUBLIC EMPLOYEES REFLECT SETTLEMENTS IN PRIVATE SECTOR, IN ORDER TO LIMIT SIZE OF FY78 BUDGET DEFICIT.

3. MANAGEMENT POSITION ALSO STRENGTHENED BY CURRENT FINANCIAL DIFFICULTIES OF STEEL INDUSTRY, WHOSE ANNUAL WAGE AGREEMENTS HAVE TRADITIONALLY SET PATTERN FOR REST OF PRIVATE INDUSTRY. WE UNDERSTAND THAT WELL BEFORE FORMAL OPENING OF THIS YEAR'S NEGOTIATIONS, STEEL WORKERS FEDERATION PRESIDENT MIYATA, WHILE CALLING PUBLICLY FOR INCREASE OF AT LEAST 12 PERCENT, AGREED PRIVATELY TO SETTLE FOR AMOUNT JUST SLIGHTLY ABOVE ANNUAL INCREASE IN CPI IF STEEL FIRMS WOULD REAFFIRM THEIR COMMITMENT TO LIFETIME EMPLOYMENT IN FACE OF EXCESS CAPACITY AND

CLOSING OF FURNACES. SEVERAL MAJOR STEEL FIRMS REJECTED THIS COMPROMISE OFFER AND ENDED UP OFFERING ONLY 4.2 PERCENT, LOWEST IN 19 YEARS. STEEL WORKERS, COMMITTED TO ACCEPTING MANAGEMENT'S FIRST FORMAL OFFER AND HAVING UNILATERALLY FORESWORN STRIKE WEAPON 15 YEARS AGO, FORCED TO SWALLOW WHAT IS IN EFFECT DROP IN REAL INCOME FOR LIMITED OFFICIAL USE

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MEMBERSHIP. MIYATA, WHOSE CLAIM TO FAME HAS BEEN HIS EXCELLENT RELATIONSHIP WITH MANAGEMENT, HAS SUFFERED CONSIDERABLE BLOW TO HIS PRESTIGE. AT SAME TIME, MANAGEMENT IN MORE PROSPEROUS AUTO AND ELECTRICAL MACHINERY INDUSTRIES, UNDER INTENSE PRESSURE FROM FIRMS IN OTHER INDUSTRIES AND FROM GOJ TO KEEP WAGE OFFERS LOW, PREVENTED THEIR UNIONS FROM EMERGING AS NEW PACE SETTERS FOR PRIVATE INDUSTRY BY REFUSING TO AGREE TO ANYTHING HIGHER THAN RELATIVELY LOW 6.5-7.5 PERCENT WAGE HIKES. IN SOME CASES, HOWEVER, HOME ELECTRICAL APPLIANCE FIRMS, HOTELS AND OTHER PROSPERING ENTERPRISES, WHILE OSTENSIBLY KEEPING WAGE INCREASE WITHIN 6-7 PERCENT RANGE SO AS NOT TO RAISE NATIONWIDE AVERAGE SETTLEMENT FIGURE, REPORTEDLY SWEETENED THE PACKAGE SECRETLY BY GRANTING UNPUBLICIZED INCREASES IN FRINGE BENEFITS.

4. PUBLIC SECTOR WORKERS CAMPAIGN TO ENCOURAGE HIGHER WAGE SETTLEMENTS HAD LITTLE IMPACT THIS YEAR DESPITE FACT THAT PRIVATE RAILROAD WORKERS JOINED FOR FIRST TIME IN THREE YEARS. THEY CALLED 96 HOUR RAIL AND TELECOMMUNICATIONS STRIKE IN LATE APRIL. WITH PRIVATE INDUSTRY AND FARMERS NO LONGER DEPENDENT ON RAIL TRANSPORT AND URBAN WORKERS (EVER SINCE RECORD 8 DAY STRIKE IN 1975) MORE WILLING TO TOLERATE STOPPAGE OF COMMUTER SERVICE, TRANSPORT STRIKE HAD LITTLE IMPACT. GOJ DID NOT PRESSURE PRIVATE EMPLOYERS TO GRANT MORE LIBERAL WAGE BOOSTS AS PRICE FOR HAVING RAIL STRIKE TERMINATED. INSTEAD, GOVERNMENT SEEMED PERFECTLY CONTENT TO SEE INTERRUPTIONS OF COMMUTER SERVICE FURTHER INFLAME PUBLIC INDIGNATION AGAINST PUBLIC CORPORATION WORKERS' ILLEGAL STRIKES. MOREOVER, PUBLIC WORKERS MORALE WEAKENED BY LAST-MINUTE DEFLECTION, UNDER THREAT OF ARREST OF POSTAL WORKERS UNION FROM FINAL WAVE OF STRIKES. THIS MARKED FIRST TIME GOJ LIMITED OFFICIAL USE

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HAD SUCCEEDED IN BREAKING UNITY OF PUBLIC CORPORATION WORKERS' STRIKE FRONT. IN THE END, PRIVATE RAILROAD WORKERS DROPPED OUT OF STRIKE AFTER ONLY ONE DAY WHEN IT

BECAME APPARENT MANAGEMENT WOULD NOT UP ITS OFFERS, AND PUBLIC SECTOR CANCELLED STRIKE AFTER 48 HOURS WHEN GOJ IMPOSED BINDING ARBITRATION WHICH EVENTUALLY PRODUCED LOW 5.4 PERCENT SETTLEMENT.

5. SPRING WAGE NEGOTIATION "DEFEAT" HAS PROVIDED NEW GRIST FOR INTERNAL POLITICAL FEUDS OF IMF-JC, KOROKYO AND SOHYO. WHILE IMF-JC CHAIRMAN AND STEEL WORKERS' PRESIDENT MIYATA WAS ALREADY SCHEDULED TO RETIRE FROM HIS STEEL UNION POST LATER THIS YEAR, HE PLANNED TO CONTINUE AS IMF-JC CHAIRMAN. AUTOMOBILE WORKERS' PRESIDENT SHIOJI, WHO IS MANEUVERING FOR IMF CHAIRMANSHIP, HAS SEIZED UPON LOW STEEL WORKERS' SETTLEMENT AS SIGN THAT MIYATA HAS LOST HIS REPUTED INFLUENCE OVER MANAGEMENT EVEN IN HIS OWN INDUSTRY, AND SHOULD BE REPLACED AS HEAD OF IMF-JC. MEANWHILE, IN KOROKYO, INTER-UNION COOPERATION HAS SUFFERED NOT ONLY FROM ZENTEI DECISION TO CANCEL MARCH STRIKES, BUT ALSO FROM TELECOMMUNICATION WORKERS' (ZENDSPSU) POST-STRIKE ANNOUNCEMENT THAT TO STRENGTHEN ITS BARGAINING POWER IN FUTUGB NEGOTIATIONS, IT WILL COOPERATE WITH UNIONS IN DIRECTLY RELATED INDUSTRIES SUCH AS ELECTRIC MACHINERY WORKERS RATHER THAN WITH OTHER PUBLIC CORPORATION UNIONS. WHILE THERE HAS ALSO BEEN CONSIDERABLE UNHAPPINESS WITHIN PUBLIC SECTOR UNION-DOMINATED SOHYO WITH SPRING WAGE STRUGGLE CAMPAIGN LEADERSHIP OF FLAMBOYANT SOHYO SECGEN TOMIZUKA, HE NEVERTHELESS IS CERTAIN TO WIN REELECTION AT SOHYO CONVENTION NEXT MONTH.

6. HOWEVER, INASMUCH AS 1978 WAS FOURTH YEAR IN ROW PERCENTAGE OF WAGE HIKES DECLINED, RESULTS OF THIS YEAR'S NEGOTIATIONS APPEAR TO BE STIMULATING NOT ONLY POLITICAL

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DISPUTES, BUT ALSO FIRST REAL REVIEW OF ENTIRE CONCEPT OF YEARLY, SIMULTANEOUS WAGE NEGOTIATIONS WHICH HAS UNITED JAPANESE LABOR MOVEMENT SINCE 1950S. ON APRIL 28, ZENDETSU CHAIRMAN OIKAWA SAID HIS UNION WOULD STUDY FEASIBILITY OF TWO OR THREE YEAR CONTRACTS WITH COST OF LIVING ESCALATOR CLAUSES, AND OF SCHEDULING PUBLIC WORKERS' NEGOTIATIONS SEPARATELY FROM THOSE OF PRIVATE INDUSTRIES. IN SPEECH APRIL 25, MIYATA OF IMF-JC ENDORSED SIMILAR PROPOSAL. IMMEDIATE CHANGES IN CURRENT SYSTEM UNLIKELY SINCE NIKKEIREN OFFICIALS HAVE EXPRESSED RESERVATIONS ABOUT COST OF LIVING CLAUSES, WHILE SOHYO'S CHAIRMAN MAKIEDA SAID JUNE 6 THAT TWO OR THREE YEAR CONTRACTS WOULD BE "INAPPROPRIATE" FOR JAPANESE LABOR MOVEMENT. THIS YEAR'S NEGOTIATIONS, HOWEVER, ARE SIGNIFICANT IN PRODUCING FIRST SIGN THAT UNION SUPPORT FOR TRADITIONAL NEGOTIATION SYSTEM MAY BE EBBING. MANSFIELD

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